Annual Report 2020

www.forfaiting.com

London Forfaiting Company Limited
15-18 Austin Friars
London EC2N 2HE
Registered Number 1733470

Contents

Background to our Business

London Forfaiting Company

LFC was established in 1984 and specialises in the delivery of forfaiting and other trade related financing for our corporate and banking clients.

In line with market developments LFC's product range has evolved to encompass value adding products including Credit Default Swaps, Sport & Entertainment financing and Export Credit Agency facilities.

LFC's position as a leader in the global forfaiting market is built upon close working relationships with clients, the ability to understand and address their trade finance requirements and by delivering tailor-made solutions. LFC's speed of delivery, adaptability and continuously meeting clients' needs and requirements ensures this position is maintained
The extensive experience of LFC's professional team with backgrounds from both banking and industry, delivered via a global network of offices, ensures clients receive the highest level of service and access to bespoke finance solutions.

Forfaiting & UK Regulations

The UK Financial Conduct Authority has Regulatory Money Laundering Supervisory responsibilities for LFC.

UK legislation i) the Banking Consolidation Directive (Annex 1 (Point 2)); and ii) Money Laundering Regulations 2017 (Schedule 1) designate Forfaiting Companies such as LFC 'non-banking' Financial Institutions. Consequently, LFC is required to abide by UK anti-money laundering Regulations.

Traditional forfaiting is a cross-border trade financing tool designed for use by exporters and importers, but also used directly by banks.

Financing is provided by discounting irrevocable receivables generated from an export contract on a "Without Recourse" basis, or through bilateral and syndicated loan facilities.

Forfaiting has evolved beyond the traditional structures into a broad financing technique used to finance virtually any form of assignable and/or transferable receivable, evidenced by a negotiable instrument or contract.

LFC finances a wide range of receivables including those for Goods and Services, Commodities, Technology, Consumer & Capital Equipment, Turn Key Projects, Football Players and Sponsorship Contracts.

Traditional Forfaiting

Traditional forfaiting transactions are often evidenced by documentation bearing the unconditional, irrevocable and freely transferable guarantee or aval of an acceptable counterparty.

Typical characteristics of a traditional forfaiting transaction are:

- Major currencies in excess of USD 1,000,000
- 100% financing "without recourse" to the seller of the obligation
- Fixed or Floating rate
- Payment may be guaranteed by the importer's Bank or a Sovereign entity
- Credit periods range from 60 days to 10 years

Benefits of Traditional Forfaiting

Forfaiting allows an exporter to offer extended payment terms to improve the chances of winning an export contract against competitors.

LFC assists clients to sell on credit terms whilst mitigating a range of risks including commercial, political, transfer, interest and exchange risks

Forfaiting allows exporters to conclude sales without exposure to risks and costs of financing overseas clients, whilst receiving sales proceeds as soon as possible after shipment.

Forfaiting is "without-recourse" to the exporter, mitigating non-payment risk under the export contract. It accelerates the receivable into cash upon receipt of the unconditional obligation to pay for the goods at maturity.

Forfaiting Assets

LFC maintains a portfolio of Forfaiting Assets, evidenced by a variety of debt or receivable instruments including Bills of Exchange, Promissory Notes, Letters of Credit and trade or project related Syndicated and Bi-lateral Loan (Financing) Agreements, Purchase & Sale Contracts.

Strategic Report

Principle activities

London Forfaiting Company Limited ("LFC") and its subsidiaries (collectively known as "Group") principle activities are forfaiting and lending delivered to corporate and banking clients through its international network of offices. LFC finances international trade through the purchase of bills of exchange, promissory notes, loans, deferred payment letters of credit and other receivables. LFC actively trades its forfaiting transactions with counterparty banks and financial institutions in the secondary market.

The background to these business activities is given on page 2.

Results & Performance

2020 marked a challenging year for LFC during the COVID-19 pandemic. Businesses globally had to adapt to new working practices and LFC was no different. Whilst the impact of COVID-19 was more prevalent in developed markets, the impact in LFC's business in emerging markets was limited. By the end of the year under review, there were early signs of a recovery from the worst crisis for a long time.

Although margins in general did increase due to the pandemic, this was offset by the continuing abundant liquidity in the market. The continued subdued commodity prices and increasing uncertainty in the market from the pandemic gave rise to a challenging business environment for LFC. During the year, LFC experienced only isolated payment delays. LFC reacted to the uncertainty by de-risking from the higher risk exposures whilst continuing to service its clients. The increased uncertainty in the market resulted in a decreased fair valuation on certain forfaiting assets held for trading.

LFC reported lower profits after tax for 2020 of USD 7,373,558 (2019: USD 10,745,277), representing an 31% decrease from the previous year. Trading Income of USD 23,713,685 was 20% lower than the previous year (2019: USD 29,663,165). However, net financing expense decreased significantly to USD 6,957,829 (2019: USD 8,096,278). Administration expenses and tax charge also decreased for the year under review.

The net effect of these factors enabled LFC to deliver a profit after tax of USD 7,373,558 to our shareholders in 2020.

Turnover and trading income

LFC's Forfaiting Yield remained approximately the same at USD 20,508,758 (2019: USD 20,609,904). Although the forfaiting portfolio held for trading at the year-end was largely the same at USD 452,326,547 compared to USD 460,238,536 in 2019, the average for the year was 26% lower. Due to the increased margins from the pandemic, LFC's was able to generate yield at a similar level to prior year with a lower average forfaiting asset held for trading portfolio. A large part of the increase in the forfaiting assets held for trading occurred in the last few months of the year, as LFC capitalised on booking more deals as early signs of the economic recovery was evident.

Fair valuation movements of forfaiting assets held for trading and derivative financial instruments were lower at USD 3,232,257 in 2020 (2019: USD 8,649,515), due mainly from the lower average forfaiting assets held for trading and the one-off recovery of USD 3,000,000 in the prior year.

In addition to lower margins there was also a reduction in fee levels on assets purchased during the year; as a result net fees and commission income decreased from USD 403,746 in 2019 to a net fees and commission expense of USD 27,330.

As a result of the movements in Forfaiting Yield, Fair valuation of forfaiting assets held for trading and derivative financial instruments with the movement in net fees and commissions, Trading Income for the year was 20% lower than the level achieved in 2019.

Strategic Report (continued)

Net financing expense
LFC's parent, FIMBank plc. continued to provide funding, by means of a bank overdraft to help support funding of the forfaiting portfolio held for trading. The bank overdraft increased by 4% from USD 248,465,407 in 2019 to USD 258,686,175 in 2020. External borrowings were 25% lower at USD 84,526,009 (2019: USD 112,634,855) largely due to market uncertainty and a reluctance to extend funding during this pandemic. With lower funding rates and a lower average forfaiting portfolio held for trading to fund, net financing costs decreased 14% to USD 6,957,829 (2019: USD 8,096,278).

Administrative expenses
LFC continually monitors its administrative expenses, which were 14% lower for the year at USD 7,803,561 compared to USD 9,054,684 in 2019. LFC reacted to the change in the business environment caused by the pandemic to oversee a reduction in costs. Professional fees were significantly lower in 2020 due to the delaying and deferment of projects relating to business strategies and IT upgrades. LFC has prudently restricted all travel as a result of COVID-19 and as a consequence, expenses relating to global business travel, marketing and other general expenses within other administrative expenses were significantly reduced in 2020.

Deferred Tax Asset
In view of the Company's continued profitability, the Directors again reviewed the value of the deferred tax asset against future income projections. Following this review, the Directors consider the deferred tax asset at USD 4,169,406, as at 31 December 2020 as appropriate and reasonable. During the year, USD 1,380,000 of the deferred tax asset was consumed as a result of the continued profitability of the Company.

Financial risk management
The financial risk management objectives and policies and exposures to various risks, including market risk, liquidity risk, credit risk and operational risk (which include compliance and reputational risk) are covered in note 18 of the financial statements.

Key Performance Indicators
Throughout the year, the Directors monitor the company's Key Performance Indicators (KPI's). Financial KPI's including Trading Income, Portfolio of Forfaiting Assets Held for Trading and Funding are addressed above.

An essential element in maintaining LFC's growth and market leading position is the retention of key personnel and the provision of appropriate training. Consequently, staff turnover is also considered to be a key Non-Financial KPI and is monitored closely by Directors. During 2020, LFC had four joiners and four leavers from a total staff count of 42 (2019: seven joiners and five leavers from a total staff count of 41).

New accounting standards
There were new international financial reporting standards introduced this year, although none of them were adopted this year. For the next year the most relevant standard to be adopted would be Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), although it is not expected to have a material impact on the Group's consolidated financial statements.

Strategic Report (continued)

COVID-19, Brexit, key risks, uncertainties and Outlook

Key risks to the business in the coming year remain credit and interest rate risk exposure of the forfaiting assets held for trading and the continued uncertainty and potential time of the recovery from COVID-19 will have an impact on this. Whilst there are early signs of a recovery, LFC will continue to react to negative trends by de-risking from higher risk exposures as it has done this year. LFC will monitor, react and mitigate these risks as it has shown during the year by continuing to produce a positive contribution to its shareholder at the height of the current crisis.

The impact of Brexit on LFC's UK activities has been reviewed and is considered to have a minimal impact upon the activities and performance of the Company. We believe that LFC's appetite for diverse risks across different business sectors and geographies, coupled with our global footprint places LFC in a strong position to manage any identifiable risks associated with Britain withdrawing from the EU.

LFC's exposure is mainly to emerging markets which will have a limited impact from Brexit. Notwithstanding a portion of our forfaiting assets held for trading are Euro denominated, the counterparties are not based in the EU and the recoverability of these exposures are likely to be unaffected by Brexit. Key personnel at LFC will not be affected. LFC's funding is sourced from EU and non-EU entities, as well as its own equity; other than loans from our parent, FIMBank plc, LFC does not place a reliance on EU sourced funding. We do not currently believe the business model will have to change to accommodate Brexit.

LFC continually source remunerative transactions, notwithstanding difficult market conditions. The forfaiting portfolio held for trading is robust and its risks continually monitored. LFC has considerable experience in managing exposures and in the close monitoring of transactions, to ensure performance as well as the use of various techniques to mitigate risks. Where LFC's business leads to risks relating to interest rate movements, we use established hedging techniques and derivatives to minimise this exposure. Funding is secured from our own capital, our ability to attract external funding, and financing we receive from our immediate parent, related parties and/or our ultimate owners, Kuwait Projects Company Holding K.S.C.P. (KIPCO).

Whilst it's challenging to forecast an outlook is these uncertain times, there are early signs of a slight economic recovery in the developed markets. Coupled with the limited impact COVID-19 has had in the emerging markets, these are all positive signs for the coming year. LFC's Key Management Personnel, in conjunction with its Directors will continue to monitor the key risks and explore every business opportunity.

Going concern

The directors have made an assessment in preparing these financial statement as to whether the group is a going concern, covering a period of at least 12 months from the date of approval of these financial statements. The Group is expected to generate positive cashflows and in view of the current market conditions, the directors have considered existing and future funding lines, a range of stressed scenarios, as well as the tradability of the forfaiting assets held for trading and are satisfied about the Group and Company's ability to meet obligations as they fall due. The shareholder has continued to provide its support through the bank overdraft facility and confirmed its availability for at least one year after these financial statements are signed. Despite a year of tremendous volatility, the positive contribution in the year of the pandemic is testament to the good risk management and business generation of LFC.

The directors confirm the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. Both the Company financial statements and the Group financial statements have been prepared on a going concern basis.

Directors and Staff

We take this opportunity to thank our management and staff for their endeavours through the year and their contribution toward these excellent results. We also thank our shareholders for their continued support and commitment to LFC's business activities.

Section 172 Statement

Overview

In overseeing delivery of LFC's purpose and strategy, the directors are always mindful of their duties under the Companies Act 2006, including as set out in section 172. The Board recognises that LFC's long-term success is only possible through engagement with, and having regard to, the interests of key stakeholders, which for LFC includes our shareholder, customers and counterparties, employees, and wider communities.

LFC's governance framework seeks to ensure that the Board appropriately considers stakeholder considerations in decision making. The proactive oversight and challenge provided by the Board is central to the ongoing development and execution of LFC's purpose and strategy.

LFC's shareholder, FIMBank plc.

Given FIMBank's 100% ownership of LFC, it is natural that the promotion of the long-term success of LFC, through the development of a clear purpose and strategy, is aligned with the interests of FIMBank plc., including in the current circumstances where FIMBank plc. is undertaking a strategic review of its international operations. FIMBank's interests are represented at Board by four shareholder appointed Non-executive Directors. Any circumstances where shareholder and LFC's interests are not aligned are managed through the disclosure and management of any such potential conflict. FIMBank plc's interests are further represented through the Board Risk Committee, where all members are FIMBank plc. directors.

Customers and Counterparties

The Board takes account of client interests through regular updates from management reviews of the business conducted by the company, the type of client it deals with and the products delivered to those clients. LFC's business model is focussed on incorporated entities and financial institutions; consequently, key scorecard measures such as customer conduct metrics assessment of vulnerable customers are not required.

The interests of clients, as affected by the COVID-19 pandemic, particularly where difficulties were experienced in meeting loan repayments or other obligations, have been fully considered.

The Board also fully recognises its obligations to consider the interests of the wider communities in which LFC operates and has entrusted LFC Management with delivering support it considers appropriate.

Employees

The Board is proud of the commitment of our employees and the collaborative culture in LFC, particularly in 2020 when our employees, while adopting safe working practices, have adapted the way they work to ensure that customers have been supported throughout the COVID-19 pandemic. During this challenging period, employees have continued to support each other and work together to deliver to our stakeholders.

The Board operates a framework that takes account of the interests of our employees, including a remuneration policy that is appropriate for all employees, as well as executives, and provides for competitive remuneration strongly aligned to the delivery of LFC's strategic goals; and undertaking semi-annual reviews of talent and succession.

Section 172 Statement (continued)

Wider communities

At Board level Society and the Community is a core pillar of the LFC's strategy and firmly embedded in the culture of the Company. The events of 2020 have reinforced the expectations of society on businesses to contribute positively and more widely in the communities in which they operate. Given its origins, LFC has always taken its role in society seriously and sets out a clear framework of actions aligned to LFC's purpose and strategy that are intended to meet the expectations of stakeholders so that LFC contributes fully in the communities in which it operates.

LFC is committed to reducing its impact on the environment while helping customers and employees do the same.

Other non-financial disclosures

LFC has a moral, legal and regulatory duty to prevent, detect and deter financial crime and maintains a financial crime framework. This framework is supported and reinforced by LFC's systems and behaviours which put clients at the heart of every interaction. LFC promotes an environment which is hostile to illicit activity to protect its clients, employees, and communities from financial crime, and continues to invest in further system control enhancements. LFC's compliance with requirements of the financial crime framework is monitored through ongoing control testing, assurance, audit, and the provision of management information at LFC Board meetings.

LFC's Modern Slavery Statement (which is available on our website) sets out the policies we apply and actions we take to ensure that our employees and customers are treated with dignity and respect. This includes raising awareness of issues that could put our customers at risk such as vulnerability and exploitation.

John C. Grech
Chairman
4 March 2021

Simon Lay
Chief Executive Officer

Directors' report

The Directors are pleased to present their report and the audited Group and Company financial statements for the year ended 31 December 2020.

Results and dividends

LFC's profit after tax for the year 2020 was USD 7,373,558 (2019: USD 10,745,277). The Directors approved the payment of a scrip dividend of USD 7,000,000 during the year (2019: USD 40,000,000). The scrip dividend was paid from the issue of 7,000,000 bonus shares at USD 1 per share.

Key Performance Indicators

The company's Key Performance Indicators (KPI's) are detailed on page 4.

Financial risk management

The financial risk management objectives and policies and exposures to various risks, including market risk, liquidity risk, credit risk and operational risk (which include compliance and reputational risk) are covered in note 18 of the financial statements.

Political contributions

The Group and Company made no political contributions in 2020, (2019: nil)

Directors

The directors who held office during the year were as follows:
Chairman/ Director – John Carmel Grech
Director – Mohamed Fekih Ahmed
Director – Majed Essa Ahmed Al-Ajeel
Director – Hussain Abdul Aziz Lalani

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the company. According to the register of directors' interests, no right to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

The Directors benefited from qualifying third party indemnity provisions during the year.

Post balance sheet events

The directors confirm that there were no subsequent events that affect Group and Company financial statements for the year ended 31 December 2020.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor's is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approval

By order of the Board.

John C. Grech
Director
4 March 2021
15-18 Austin Friars
London, EC2N 2HE

Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of London Forfaiting Company Limited

Opinion

We have audited the financial statements of London Forfaiting Company Limited ("the company") for the year ended 31 December 2020 which comprise the Income statements, Statements of comprehensive income, Statements of financial position, Statements of changes in equity, Statements of cash flows and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Independent Auditor's Report to the Members of London Forfaiting Company Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

• Enquiring of directors and key management personnel, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;

• Reading Board and Credit committee minutes;

• Considering remuneration incentive schemes and performance targets for management and directors; and

• Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, the risk of fraudulent revenue recognition of fair value gains and losses and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks. We performed procedures including:

• Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those containing key words indicative of fraud, entries made to seldom used accounts, entries to a cash and/or revenue account with corresponding journal entries made to an unusual general ledger code, entries posted on bank holidays and weekends, entries made with blank descriptions, those where the total lines of the journal do not sum to zero, and any entries where the posting date is from the prior year; and

• Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, we discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's Report to the Members of London Forfaiting Company Limited (continued)

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management, and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of London Forfaiting Company Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Pinks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
4 March 2021

Income statements

For the year ended 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Trading income	4	**23,713,685**	29,663,165	**22,512,316**	28,072,121
Administrative expenses	5	**(7,803,561)**	(9,054,684)	**(6,802,361)**	(7,852,823)
Other operating income	6	**58,333**	-	**263,949**	329,792
Operating profit		**15,968,457**	20,608,481	**15,973,904**	20,549,090
Finance income	7	**303**	563	**198**	259
Finance costs	7	**(6,958,132)**	(8,096,841)	**(6,940,765)**	(8,081,264)
Net finance costs	7	**(6,957,829)**	(8,096,278)	**(6,940,567)**	(8,081,005)
Profit before tax		**9,010,628**	12,512,203	**9,033,337**	12,468,085
Income tax expense	8	**(1,637,070)**	(1,766,926)	**(1,637,070)**	(1,766,926)
Profit for the year attributable to equity holders of the company		**7,373,558**	10,745,277	**7,396,267**	10,701,159

All of the profits for the current year and prior year were derived from continuing activities.

The notes on pages 19 to 48 are an integral part of these financial statements.

Statements of comprehensive income

For the year ended 31 December 2020

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Profit for the year	**7,373,558**	**10,745,277**	**7,396,267**	**10,701,159**
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year attributable to equity holders of the company	**7,373,558**	**10,745,277**	**7,396,267**	**10,701,159**

All of the profits for the current year and prior year were derived from continuing activities.

The notes on pages 19 to 48 are an integral part of these financial statements.

Statements of financial position

As at 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Assets					
Plant and equipment	9	**1,507,280**	1,773,322	**1,376,743**	1,719,374
Deferred tax assets	11	**4,169,406**	5,549,406	**4,169,406**	5,549,406
Non-current assets		**5,676,686**	7,322,728	**5,546,149**	7,268,780
Forfaiting assets – held for trading	17	**452,326,547**	460,238,536	**452,326,547**	460,238,536
Trade and other receivables	12	**1,066,277**	3,981,070	**1,010,103**	3,860,573
Cash and cash equivalents	13	**346,656**	461,713	**270,060**	425,564
Current assets		**453,739,480**	464,681,319	**453,606,710**	464,524,673
Total assets		**459,416,166**	472,004,047	**459,152,859**	471,793,453
Liabilities					
Lease liability	19	**1,269,191**	1,419,027	**1,138,327**	1,372,250
Non-current liabilites		**1,269,191**	1,419,027	**1,138,327**	1,372,250
Bank overdraft	13	**258,686,175**	248,465,407	**258,686,175**	248,465,407
Loans and borrowings	14	**84,526,009**	112,634,855	**84,526,009**	112,634,855
Trade and other payables	16	**4,823,763**	6,747,288	**4,764,534**	6,679,394
Current liabilities		**348,035,947**	367,847,550	**347,976,718**	367,779,656
Total liabilities		**349,305,138**	369,266,577	**349,115,045**	369,151,906
Equity					
Share capital	15	**97,000,000**	90,000,000	**97,000,000**	90,000,000
Retained earnings		**13,111,028**	12,737,470	**13,037,814**	12,641,547
Total equity attributable to owners of the Company		**110,111,028**	102,737,470	**110,037,814**	102,641,547
Total equity and liabilities		**459,416,166**	472,004,047	**459,152,859**	471,793,453

The notes on pages 19 to 48 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 26 February 2021 and were signed on its behalf by:

John C. Grech
Director
London Forfaiting Company
Registered Number 1733470

Statements of changes in equity

Group	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2019	50,000,000	41,992,193	91,992,193
Total comprehensive income for the year	-	10,745,277	10,745,277
Transactions with owners of the company			
Bonus shares issued from retained earnings	40,000,000	(40,000,000)	-
Balance at 31 December 2019	90,000,000	12,737,470	102,737,470
Balance at 1 January 2020	**90,000,000**	**12,737,470**	**102,737,470**
Total comprehensive income for the year	**-**	**7,373,558**	**7,373,558**
Transactions with owners of the company			
Bonus shares issued from retained earnings	**7,000,000**	**(7,000,000)**	**-**
Balance at 31 December 2020	**97,000,000**	**13,111,028**	**110,111,028**

Company	Share Capital USD	Retained earnings USD	Total equity USD
Balance at 1 January 2019	50,000,000	41,940,388	91,940,388
Total comprehensive income for the year	-	10,701,159	10,701,159
Transactions with owners of the company			
Bonus shares issued from retained earnings	40,000,000	(40,000,000)	-
Balance at 31 December 2019	90,000,000	12,641,547	102,641,547
Balance at 1 January 2020	**90,000,000**	**12,641,547**	**102,641,547**
Total comprehensive income for the year	**-**	**7,396,267**	**7,396,267**
Transactions with owners of the company			
Bonus shares issued from retained earnings	**7,000,000**	**(7,000,000)**	**-**
Balance at 31 December 2020	**97,000,000**	**13,037,814**	**110,037,814**

The notes on pages 19 to 48 are an integral part of these financial statements.

Statements of cash flows

For the year ended 31 December 2020

	Note	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Cash flows from operating activities					
Net proceeds from purchase, sale & maturity of forfaiting assets held for trading including realised forfaiting yield		**28,420,747**	(92,343,665)	**28,420,747**	(92,343,665)
Interest income received		**303**	563	**198**	259
Interest expense paid		**(6,913,043)**	(8,072,101)	**(6,897,890)**	(8,060,898)
Fees and commissions received		**646,207**	914,833	**646,207**	914,833
Fees and commissions paid		**(615,204)**	(511,087)	**(1,816,573)**	(2,102,131)
Realised fair value gain on forfaiting assets held for trading		**4,624,171**	8,491,232	**4,624,171**	8,491,232
Payment to employees and suppliers		**(7,268,970)**	(8,610,997)	**(6,348,009)**	(7,508,190)
Cash (outflow) before changes in operating assets/liabilities		**18,894,211**	(100,131,222)	**18,628,851**	(100,608,560)
(Increase) / decrease in operating assets:					
Amounts due from parent		**(6,236)**	391,857	**(6,236)**	391,857
Prepayments, accrued income and other debtors		**1,529,115**	(1,600,919)	**1,464,792**	(1,544,148)
Increase / (decrease) in operating liabilities:					
Amounts due to parent		**155,122**	(14,936,202)	**155,122**	(14,936,202)
Other liabilities		**(1,819,932)**	459,505	**(1,811,267)**	452,579
Net cash from / (used in) operating activities before income tax		**(141,931)**	(15,685,759)	**(197,589)**	(15,635,914)
Tax paid		**(515,785)**	(848,886)	**(515,785)**	(848,886)
Net cash used in operating activities		**18,236,495**	(116,665,867)	**17,915,477**	(117,093,360)
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(113,276)**	(490,646)	**(111,720)**	(483,768)
Proceeds from disposal of plant and equipment		**-**	115	**-**	115
Recovery from subsidiaries		**-**	-	**205,616**	329,792
Net cash from investing activities		**(113,276)**	(490,531)	**93,896**	(153,861)
Cash flows from financing activities					
Net receipts from bank overdraft		**10,220,768**	118,177,778	**10,220,768**	118,177,778
Net payments of external borrowings		**(28,108,846)**	(568,018)	**(28,108,846)**	(568,018)
Payment of lease liability		**(350,198)**	(219,717)	**(276,799)**	(124,916)
Net cash from financing activities		**(18,238,276)**	117,390,043	**(18,164,877)**	117,484,844
Net (decrease)/ increase in cash and cash equivalents		**(115,057)**	233,645	**(155,504)**	237,623
Cash and cash equivalents at 1 January		**461,713**	228,068	**425,564**	187,941
Cash and cash equivalents at 31 December	**13**	**346,656**	461,713	**270,060**	425,564

The notes on pages 19 to 48 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

London Forfaiting Company Limited (the "Company") is a company domiciled in the United Kingdom. The address of the Company's registered office is 15-18 Austin Friars, London EC2N 2HE. The financial statements of the Company for the year ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in forfaiting, a further background to our business is shown on page 2.

2. Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 5.

The directors have made an assessment in preparing these financial statement as to whether the group is a going concern, covering a period of at least 12 months from the date of approval of these financial statements. The Group is expected to generate positive cashflows and in view of the current market conditions, the directors have considered existing and future funding lines, a range of stressed scenarios, as well as the tradability of the forfaiting assets held for trading and are satisfied about the Group and Company's ability to meet obligations as they fall due. The shareholder has continued to provide its support through the bank overdraft facility and confirmed its availability for at least one year after these financial statements are signed.

The directors confirm the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern. Both the Company financial statements and the Group financial statements have been prepared on a going concern basis.

(a) Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs").

The financial statements were authorised for issue by the Board of Directors on 4 March 2021.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items in the statements of financial position:

- forfaiting assets held for trading are measured at fair value; and;
- derivative financial instruments are measured at fair value

(c) Functional and presentation currency

These financial statements are presented in United States Dollars (USD), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in notes 11 and 18.

Notes to the financial statements (continued)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation - subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the income statement.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to US Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the US Dollar at the exchange rates at the dates of the transactions.

(c) Forfaiting assets held for trading

Forfaiting assets held for trading comprising bills of exchange, promissory notes and transferable trade related loans are financial instruments held for trading and are stated at fair value with any resulting gain or loss recognised in the income statement. Fair value is calculated using the credit worthiness, tenor, amount and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting gain or loss taken to the income statement; this is further explained in Note 17. Having assessed the business model requirements under IFRS9, this forfaiting assets portfolio was classified as held for trading. This means that the instruments will be held at Fair Value through Profit and Loss.

(d) Derivative financial instruments

The Group from time to time uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational activities, however, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately to the income statements. The fair value of interest rate future contracts is the estimated amount that the Group would receive or pay to terminate the contract at the reporting date, taking into account current interest rates.

(e) Forfaiting assets write off

The Group writes off a forfaiting asset held for trading when it has been unequivocally determined that the asset is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/ guarantor's financial position such that the borrower/ guarantor can no longer pay the obligation that proceeds from collateral will not be sufficient to pay back the entire exposure, or future recoverability efforts are deemed unfeasible.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(f) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant or equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised as other operating expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the lease term and their useful lives. The estimated useful lives are as follows:

- land and buildings 5 years
- leasehold improvement 5 years
- fixtures, fittings and equipment 4 years
- motor vehicles 4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Investments in subsidiaries

Investments in subsidiaries are measured at cost in accordance with the requirement of IAS 27 and tested for impairment annually.

(h) Trade and other receivables

These financial assets meet the criteria of amortised cost under IFRS9, with solely payment of principal and interest being receivable. As such these instruments are stated at amortised cost under IFRS9. Expected Credit Losses are expected as per the staging criteria set out in accounting policy (j).

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's and Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. These financial assets meet the criteria of amortised cost under IFRS 9, with solely payment of principal and interest being receivable. As such these instruments are stated at amortised cost under IFRS 9. Expected Credit Losses are expected as per the staging criteria set out in accounting policy (j).

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(j) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).
The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.
Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The financial assets held at amortised costs consists of trade and other receivables and cash and cash equivalents.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.
Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(l) Employee benefits

The Group contributes towards defined contribution plans. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are stated at amortised cost.

(o) Trading income

Trading income is analysed in note 4 to the financial statements. This represents the net amount earned from forfaiting yield and fair value adjustments and net fees and commissions' income.

Forfaiting yield is the realised and accrued interest earned from forfaiting assets held for trading up to sale or maturity.

Fair valuation of forfaiting assets held for trading and derivative financial instruments is the summation of realised and unrealised upward and downward fair value movements as well as recoveries from written off assets (if any).

Fair value of forfaiting assets held for trading is calculated using the credit worthiness, amount, tenor and interest rates on each asset at the reporting date and determining whether or not it is higher or lower than the book value, with the resulting profit or loss taken to the income statement.

The Group earns fees and commissions income from the provision of financial services to its customers. These fees are recognised when the Group satisfies the performance obligation of the contract with the customer. The fees and commissions income include fees for business introductions, Proex financing, whilst the fees and commissions expense include nostro maintenance fees and fees payable for insurance.

The Group has entered into future contracts to hedge its interest rate exposure. Any gains and losses made under these derivative financial instruments are included within trading income. This is an economic hedge and LFC has not applied hedge accounting requirements.

(p) Net finance costs

Net finance costs comprise interest payable and foreign exchange gains and losses.
Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(p) Net finance costs (continued)

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using the estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(q) Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(q) Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'Lease Liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor
The Group and Company are not lessors.

Lease acquired in a business combination
The Group and Company have not acquired any leases in a business combination during the year.

Government grants
The Group and Company has not applied for any Government grant.

(r) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(r) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Segment Reporting

The Group is not required to adopt IFRS 8 Operating Segment reporting as the Group is not listed. All trading income and profits before taxation are derived from the Group's sole activity of international trade finance focusing on forfaiting and loans. As trading is carried out in international markets, it is not viewed to be contained by geographical boundaries. Furthermore, the forfaiting assets held for trading are diverse and as a consequence segmenting into specific countries or regions would not be meaningful over time as there is no comparability.

(t) Sale and repurchase agreements

When forfaiting assets held for trading are sold subject to a commitment to repurchase them at a predetermined price (repos), they remain on the balance sheet as, in substance, these transactions are in the nature of secured borrowings. As a result of these transactions, the Company is unable to use, sell or pledge the transferred assets for the duration of the transaction. Similarly, forfaiting assets held for trading purchased under commitments to sell ('reverse repos') are not recognised on the balance sheet.

(u) Intra-group financial instruments

Where the Group and/or Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group and/ or Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Group/ Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

As at 31 December 2020, there are no intra-group guarantees, (2019: nil).

(v) Forfaiting asset insurance

LFC takes out third party insurance against certain loans. The costs of these policies are taken into the fair value of the instruments. Any potential income associated to the policy is not recognised until it is virtually certain that the policy will pay out to LFC.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)
(x) New standards and interpretations not yet adopted
Other standards

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021).
- IFRS 17 Insurance Contracts (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date 1 January 2022).
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract (effective date 1 January 2022).
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date 1 January 2022).
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective date 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020 (effective date 1 January 2022).

4. Trading income

	Group		Company	
	2020 USD	**2019 USD**	**2020 USD**	**2019 USD**
Net gain on financial instruments held for trading:				
Forfaiting yield	**20,508,758**	20,609,904	**20,508,758**	20,609,904
Fair valuation of forfaiting assets held for trading and derivative financial instruments	**3,232,257**	8,649,515	**3,232,257**	8,649,515
	23,741,015	29,259,419	**23,741,015**	29,259,419
Fees and commissions income	**587,874**	914,833	**587,874**	914,833
Fees and commissions expenses	**(615,204)**	(511,087)	**(1,816,573)**	(2,102,131)
	23,713,685	29,663,165	**22,512,316**	28,072,121

Included within the Company's fees and commissions expense is an amount of USD 1,202,201 (2019: USD 1,591,494) payable to subsidiaries for marketing services.

Notes to the financial statements (continued)

5. Administrative expenses

	Group		Company	
	2020	2019	2020	2019
Staff cost	USD	USD	USD	USD
Wages, salaries and allowances	**5,081,791**	5,217,811	**4,322,199**	4,387,706
Social security costs	**599,678**	583,592	**544,681**	522,895
Pension costs	**132,348**	133,155	**114,230**	113,763
Operating lease expenses	**316,417**	359,432	**282,927**	300,940
Auditor's remuneration:				
Audit of these financial statements	**102,222**	78,709	**102,222**	112,161
Amount receivable by Auditor's and their associates in respect of services :				
- review of interim information	**115,852**	65,591	**115,852**	65,591
- audit of financial statements of subsidiaries	**13,630**	7,871	**13,630**	7,871
- inter-group reporting	**47,703**	33,451	**47,703**	7,871
- other services relating to taxation	**2,770**	1,577	**2,770**	2,739
Other professional fees	**143,224**	475,125	**130,885**	460,225
Other administrative expenses	**1,247,926**	2,098,370	**1,125,262**	1,878,932
	7,803,561	9,054,684	**6,802,361**	7,852,823

Other professional fees were significantly lower in 2020 due to the delaying and deferment of projects relating to business strategies and IT upgrades. LFC has prudently restricted all travel as a result of COVID-19 and as a consequence, expenses relating to global business travel, marketing and other general expenses within other administrative expenses were significantly reduced in 2020.

Pension cost represents contribution payable by the Group to a defined contribution pension scheme.
In the prior year management fees to parent were shown net of fees received for marketing whereas this year the fees are shown gross in other operating income.

	Group		Company	
Average number of employees at the end of the year:	2020	2019	2020	2019
- forfaiting and loan officers	**17**	16	**14**	12
- other staff	**25**	25	**22**	21
	42	41	**36**	33

As at 31 December 2020, there were 4 employees in London Forfaiting Americas Inc. (2019: 4 employees) and 2 in London Forfaiting do Brasil Ltda. (2019: 2 employees).

Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Directors' Remuneration	40,000	40,000	40,000	40,000
Company contributions to money purchase pension plans	-	-	-	-
	40,000	40,000	40,000	40,000

The aggregate of emoluments and amounts receivable for the highest paid Director is USD 28,000 (2019: USD 28,000). The directors of LFC include employees of other KIPCO group companies whose remuneration is borne by these companies and similarly, there are employees remunerated by the Company who act as directors of other companies in the FIMBank group. For those directors not compensated by the Company a portion of their total compensation has been allocated.

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

6. Other operating income

	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Management fee from the parent	**58,333**	-	**58,333**	-
Recovery of loan to subsidiary	**-**	-	**205,616**	**329,792**
	58,333	-	**263,949**	**329,792**

The management fee from the parent relates to work performed by the Group and Company on behalf of the parent FIMBank p.l.c. which commenced in 2020.
The recovery of the loan to subsidiary relates to London Forfaiting Company Limited's loan to its subsidiary of USD 5,943,493, which had been written off in 2011. As at 31 December 2020, the Company has recovered USD 1,044,867.

7. Net finance costs

	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Interest income				
Other	**303**	563	**198**	259
Financial income	**303**	563	**198**	259
Interest expense				
Payable to parent	**(4,977,294)**	(4,955,560)	**(4,977,294)**	(4,955,560)
Payable to third parties	**(1,544,342)**	(2,987,712)	**(1,544,342)**	(2,987,712)
Lease interest expense	**(45,089)**	(24,740)	**(42,876)**	(20,366)
Net exchange losses	**(391,407)**	(128,829)	**(376,253)**	(117,626)
Financial expenses	**(6,958,132)**	(8,096,841)	**(6,940,765)**	(8,081,264)
Net financing expenses	**(6,957,829)**	(8,096,278)	**(6,940,567)**	(8,081,005)

8. Income tax

	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Current tax expense				
Current year	**257,070**	626,926	**257,070**	626,926
Deferred tax expense				
Benefit of tax losses recognised	**1,380,000**	1,140,000	**1,380,000**	1,140,000
Income tax expense	**1,637,070**	1,766,926	**1,637,070**	1,766,926

Reconciliation of effective tax rate

	Group 2020 USD	Group 2019 USD	Company 2020 USD	Company 2019 USD
Profit before tax	**9,010,628**	12,512,203	**9,033,337**	12,468,085
Tax using the UK Corporation tax rate of 19% (2019: 19 %)	**1,712,019**	2,377,319	**1,716,334**	2,368,936
Effects of:				
Expenses/(income) disregarded for tax purposes	**306**	3,016	**171**	2,733
Depreciation in excess of capital allowances	**95,732**	84,300	**80,487**	65,480
Utilisation of tax losses brought forward	**(170,987)**	(697,709)	**(159,922)**	(670,223)
Income tax expense	**1,637,070**	1,766,926	**1,637,070**	1,766,926

Notes to the financial statements (continued)

8. Income tax (continued)

Tax liability reconciliation (Group and Company)

	2020 USD	2019 USD
Balances at 1 January	**462,089**	680,345
Payments to the tax authorities	**(515,785)**	(848,886)
Exchange differences	**(3,485)**	3,704
Charge for the year	**257,070**	626,926
Balances at 31 December	**199,889**	462,089

9. Plant and equipment
Group

	Land and Buildings USD	Leasehold Improvements USD	Fixtures, fittings and equipment USD	Motor Vehicles USD	Total USD
Cost					
Balance at 1 January 2019	-	161,564	643,561	95,077	900,202
Recognition of right-of use asset on initial application of IFRS 16	1,614,004	-	-	-	1,614,004
Additions	-	379,638	111,008	-	490,646
Disposals	-	(161,564)	(140,263)	-	(301,827)
Balance at 31 December 2019	1,614,004	379,638	614,306	95,077	2,703,025
Balance at 1 January 2020	**1,614,004**	**379,638**	**614,306**	**95,077**	**2,703,025**
Additions	**155,273**	**18,697**	**94,579**	**-**	**268,549**
Disposals	**(389,108)**	**-**	**-**	**-**	**(389,108)**
Balance at 31 December 2020	**1,380,169**	**398,335**	**708,885**	**95,077**	**2,582,466**
Depreciation					
Balance at 1 January 2019	-	161,564	531,087	95,077	787,728
Depreciation charge for the year	358,959	16,668	68,060	-	443,687
Disposals	-	(161,564)	(140,148)	-	(301,712)
Balance at 31 December 2019	358,959	16,668	458,999	95,077	929,703
Balance at 1 January 2020	**358,959**	**16,668**	**458,999**	**95,077**	**929,703**
Depreciation charge for the year	**360,556**	**79,083**	**64,215**	**-**	**503,854**
Disposals	**(358,371)**	**-**	**-**	**-**	**(358,371)**
Balance at 31 December 2020	**361,144**	**95,751**	**523,214**	**95,077**	**1,075,186**
Carrying amounts					
At 1 January 2019	-	-	112,474	-	112,474
At 31 December 2019	1,255,045	362,970	155,307	-	1,773,322
At 1 January 2020	**1,255,045**	**362,970**	**155,307**	**-**	**1,773,322**
At 31 December 2020	**1,019,025**	**302,584**	**185,671**	**-**	**1,507,280**

At 31 December 2020, Land and Buildings includes the right-of-use assets of USD 1,019,025. An annual assessment has been made as to whether the carrying amount of tangible assets is impaired. No such indication of impairment was identified.

Notes to the financial statements (continued)

9. Plant and equipment (continued)

Company

	Land and Buildings	Leasehold Improvements	Fixtures, fittings and equipment	Motor Vehicles	Total
	USD	USD	USD	USD	USD
Cost					
Balance at 1 January 2019	-	161,564	540,443	69,604	771,611
Recognition of right-of use asset on initial application of IFRS 16	1,476,800	-	-	-	1,476,800
Additions	-	379,638	104,130	-	483,768
Disposals	-	(161,564)	(140,263)	-	(301,827)
Balance at 31 December 2019	1,476,800	379,638	504,310	69,604	2,430,352
Balance at 1 January 2020	**1,476,800**	**379,638**	**504,310**	**69,604**	**2,430,352**
Additions	**-**	**18,697**	**93,023**	**-**	**111,720**
Disposals	**(251,904)**	**-**	**-**	**-**	**(251,904)**
Balance at 31 December 2020	**1,224,896**	**398,335**	**597,333**	**69,604**	**2,290,168**
Depreciation					
Balance at 1 January 2019	-	161,564	436,889	69,604	668,057
Depreciation charge for the year	267,490	16,668	60,475	-	344,633
Disposals	-	(161,564)	(140,148)	-	(301,712)
Balance at 31 December 2019	267,490	16,668	357,216	69,604	710,978
Balance at 1 January 2020	**267,490**	**16,668**	**357,216**	**69,604**	**710,978**
Depreciation charge for the year	**280,316**	**79,083**	**64,215**	**-**	**423,614**
Disposals	**(221,167)**	**-**	**-**	**-**	**(221,167)**
Balance at 31 December 2020	**326,639**	**95,751**	**421,431**	**69,604**	**913,425**
Carrying amounts					
At 1 January 2019	-	-	103,554	-	103,554
At 31 December 2019	1,209,310	362,970	147,094	-	1,719,374
At 1 January 2020	**1,209,310**	**362,970**	**147,094**	**-**	**1,719,374**
At 31 December 2020	**898,257**	**302,584**	**175,902**	**-**	**1,376,743**

At 31 December 2020, Land and Buildings includes the right-of-use assets of USD 898,257. An annual assessment has been made as to whether the carrying amount of tangible assets is impaired. No such indication of impairment was identified.

Notes to the financial statements (continued)

10. Investments in subsidiaries

Company

	2020 USD	2019 USD
Cost		
Balances at 1 January	**47,710,291**	47,710,291
Balances at 31 December	**47,710,291**	47,710,291
Impairment		
Balances at 1 January	**47,710,291**	47,710,291
Impairment	**-**	-
Balances at 31 December	**47,710,291**	47,710,291
Net investment	**-**	-

The Group and Company have the following investments in subsidiaries:

	Nature of business	Country of incorporation	Issued ordinary share capital	Ownership interest 2020	Ownership interest 2019
London Forfaiting International Limited	Holding company	Great Britain	USD 1,000	100%	100%
London Forfaiting Americas Inc. *	Marketing	United States of America	USD 250,000	100%	100%
London Forfaiting do Brasil Ltda. *	Marketing	Brazil	BRL 4,045,656	100%	100%

* A wholly-owned subsidiary of London Forfaiting International Ltd.

Notes to the financial statements (continued)

11. Deferred tax assets
Group and Company
Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Tax value of loss carry-forwards				
Recognised	**4,169,406**	5,549,406	**4,169,406**	5,549,406

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Deferred tax asset brought forward	**5,549,406**	6,689,406	**5,549,406**	6,689,406
Utilised	**(1,380,000)**	(1,140,000)	**(1,380,000)**	(1,140,000)
Balance at 31 December	**4,169,406**	5,549,406	**4,169,406**	5,549,406

Recognition of the above deferred tax assets is based on management's five-year profit forecasts (2019: 5 years). It is based on available evidence, including historical levels of profitability and reasonable assumptions, which indicates that it is probable that the Company will have future taxable profits against which these assets can be used.

Unrecognised deferred tax assets

All tax losses have been recognised through the deferred tax asset of USD 4,169,406 (2019: USD 5,549,406)

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

12. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Amounts due from parent	**18,062**	11,826	**18,062**	11,826
Pre-payments and accrued income	**818,272**	893,762	**782,775**	858,059
Other debtors	**229,943**	3,075,482	**209,266**	2,990,688
	1,066,277	3,981,070	**1,010,103**	3,860,573

Amounts due from parent yield no interest. These receivables are unsecured and have no fixed date for repayment; however, are considered repayable on demand.

Notes to the financial statements (continued)

13. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Cash at banks	**327,127**	444,357	**250,535**	408,213
Cash in hand	**19,529**	17,356	**19,525**	17,351
Cash at banks and in hand	**346,656**	461,713	**270,060**	425,564

All balances have a remaining period to maturity of less than three months.

Bank overdraft (Group and Company)

The overdraft facility, from the parent company, is the equivalent of USD 350 million (2019: USD 350 million). This facility is made available in USD, GBP, EUR, JPY and AED and is unsecured. The amount of USD 258,686,175 was drawn on the facility on the 31 December 2020 (2019: USD 248,465,407).

14. Other borrowings

Group and Company

	2020	2019
	USD	USD
Issued promissory notes	**50,832,660**	79,550,865
Money market loans	**33,693,349**	33,083,990
Other borrowings	**84,526,009**	112,634,855

15. Share capital

In thousands of shares	2020	2019
In issue at 31 December – fully paid	**97,000**	90,000

At 31 December 2020, the paid share capital comprised of 97,000,000 (2019: 90,000,000) ordinary shares of USD 1 each. During the year, the Company paid its sole shareholder a scrip dividend of USD 7,000,000 (2019: 40,000,000) through the issue of 7,000,000 bonus shares at USD 1 per share.

16. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Amounts due to parent	**598,036**	442,914	**598,036**	442,914
Accruals and deferred income	**4,225,727**	5,474,417	**4,166,498**	5,406,523
Cash collateral	**-**	829,957	**-**	829,957
	4,823,763	6,747,288	**4,764,534**	6,679,394

Included in accruals and deferred income is USD 0.7m (2019: USD 0.8m) of fees received on trades entered into where the company has a continued involvement. Continued involvement includes annual reviews in which additional charges may be incurred and amounts may be repaid. As at 31 December 2020, this is expected to be 10 years (2019: 10 years). The amount represents management's best estimate of the future payables. Other amounts included in accruals and deferred income include overhead accruals of USD 2.8m (2019: USD 3.5m) with the most significant amounts being for staff costs and professional fees. Furthermore, there is a tax liability of USD 199,889 (2019: USD 462,089) in accruals and deferred income.
Amounts due to parent yield no interest. These payables are unsecured and have no fixed date for repayment. Within amounts due to parent is USD 27,665 (2019: USD 12,094) relating to interest rate futures which the parent manages on behalf of the Group and Company.

Notes to the financial statements (continued)

17. Fair values of financial instruments

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The carrying amounts of the Group and Company's assets and liabilities, including those at the reporting date approximate their fair values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments at the reporting date.

The Group measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices within Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments: quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Forfaiting assets held for trading

All forfaiting assets held for trading are reported at their fair value at the reporting date.

When available, the Group measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regular occurring market transactions on an arm's length basis. However, forfaiting assets are not actively traded with quoted prices. Accordingly, the Group establishes fair value using a valuation model. On each and every forfaiting asset held for trading and at the reporting date, management assess the following characteristics

- Counterparty credit worthiness,
- Transaction size,
- Transaction currency,
- Transaction type,
- Repayment profile
- Contractual and current interest rates

to discount expected future principal and interest cash flows, with the resulting gain or loss taken to the income statement. This model is regularly stress tested and back tested for appropriateness.

The Group has an established control framework with respect to the measurement of fair values. This framework includes reports to the Chief Executive Officer and the Head of Trading who have overall responsibility for verifying the results of trading and investment operations and all significant fair value measurements. Significant valuation issues are reported to the Board of Directors for approval and to the Board Risk Committee of the parent company, FIMBank plc. for consolidation.

Due to the unobservable nature of the assumptions used, in particular the discount rate, the valuation methodology is considered level 3 as per IFRS 13 classification.

Notes to the financial statements (continued)

17. Fair values of financial instruments - continued

Interest rate future contracts

In the case of future contracts, broker quotes are used. Those quotes are back tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Interest rates used for determining fair value

The Group and Company use the LIBOR yield curve as of 31 December 2020 plus an adequate credit margin spread to discount forfaiting assets held for trading. The interest rates used are as follows:

	2020	2019
Forfaiting assets held for trading	**2.06% - 10.27%**	2.50% - 13.94%

Where forfaiting assets held for trading are not determined by interest rates, the fair value is derived from a percentage amount on the outstanding net book value as at the reporting date, which represents management's best estimate of the recoverable amount.

Reconciliation of forfaiting assets held for trading

The following table shows a reconciliation from the beginning balances to the ending balances for fair value of forfaiting assets held for trading.

Group and Company

	2020 USD	2019 USD
Balance at 1 January	**460,238,536**	347,284,967
Purchases	**471,299,660**	602,552,092
Settlements	**(488,461,083)**	(497,523,101)
Fair valuation adjustments	**(1,391,914)**	180,258
Movement in accrued interest	**91,627**	1,633,080
Exchange differences	**12,687,156**	(329,895)
Overdue now settled	**(6,441,135)**	-
Matured but not settled during the year	**4,303,700**	6,441,135
Balance at 31 December	**452,326,547**	460,238,536

Notes to the financial statements (continued)

17. Fair values of financial instruments – continued

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2020	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	**-**	**346,656**	**-**	**346,656**	**346,656**
Trade and other receivables	**-**	**1,066,277**	**-**	**1,066,277**	**1,066,277**
Liabilities					
Lease Liability	**-**	**1,269,191**	**-**	**1,269,191**	**1,269,191**
Bank overdraft	**-**	**258,686,175**	**-**	**258,686,175**	**258,686,175**
Other borrowings	**-**	**84,526,009**	**-**	**84,526,009**	**84,526,009**
Trade and other payables	**-**	**4,823,763**	**-**	**4,823,763**	**4,823,763**
2019	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	461,713	-	461,713	461,713
Trade and other receivables	-	3,981,070	-	3,981,070	3,981,070
Liabilities					
Lease Liability	-	1,419,027	-	1,419,027	1,419,027
Bank overdraft	-	248,465,407	-	248,465,407	248,465,407
Other borrowings	-	112,634,855	-	112,634,855	112,634,855
Trade and other payables	-	6,747,288	-	6,747,288	6,747,288

Company	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
2020	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	**-**	**270,060**	**-**	**270,060**	**270,060**
Trade and other receivables	**-**	**1,010,103**	**-**	**1,010,103**	**1,010,103**
Liabilities					
Lease Liability	**-**	**1,138,327**	**-**	**1,138,327**	**1,138,327**
Bank overdraft	**-**	**258,686,175**	**-**	**258,686,175**	**258,686,175**
Other borrowings	**-**	**84,526,009**	**-**	**84,526,009**	**84,526,009**
Trade and other payables	**-**	**4,764,534**	**-**	**4,764,534**	**4,764,534**
2019	**USD**	**USD**	**USD**	**USD**	**USD**
Assets					
Cash and cash equivalents	-	425,564	-	425,564	425,564
Trade and other receivables	-	3,860,573	-	3,860,573	3,860,573
Liabilities					
Lease Liability	-	1,372,250	-	1,372,250	1,372,250
Bank overdraft	-	248,465,407	-	248,465,407	248,465,407
Other borrowings	-	112,634,855	-	112,634,855	112,634,855
Trade and other payables	-	6,679,394	-	6,679,394	6,679,394

Where available, the fair value of cash and cash equivalents is based on observable market transactions.

18. Financial instruments

The Group and Company's business is presently focused on trading in forfaiting assets and comprises the acquisition and sale/maturity of a variety of commercial papers. In the normal course of business, the Company is exposed to the following risks:

- Market risk
- Liquidity risk
- Credit risk and
- Operational risk

The Group and Company's portfolio of forfaiting assets held for trading comprises bills of exchange, promissory notes, loans credit default swaps as well as transferable trade related loans that albeit not exchange traded, exist within an active and well-established secondary market. The Group and Company is consequently exposed to various types of risk that are associated with forfaiting assets held for trading, their funding components, and the geographical region within which it operates. The most important are market, credit and liquidity risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board in conjunction with the Board Risk Committee of the parent company, FIMBank plc, has established risk management policies which are responsible for developing and monitoring of all risk to the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Group's risk management is monitored by the Risk Management Department and reported to the Board of Directors.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Group and Company are discussed below.

Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments and comprises price risk, currency risk and interest rate risk.
The Group and Company's strategy on the management of risk, to which it is exposed as a result of its trading activities, is driven by the Board's objective to grow the size and increase the turnover of its forfaiting portfolio which necessarily requires an increase in the Group and Company's funding sources.

The Group and Company's market risk is managed on a daily basis. The decision to sell assets prior to or to hold until maturity depends on the Group and Company's liquidity, profit opportunity and trading alternatives available at the time. Portfolio management in this respect is the critical process of trading in forfaiting assets. The Group and Company has a diversified portfolio of forfaiting assets held for trading concentrating in different regions and different types of counterparties, shown in the tables below.

Market risk – Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual forfaiting asset, the debtor or all factors (e.g. political or commercial) affecting the forfaiting assets traded on the market. As against marketable securities, price risk is considered to be a less relevant variable in relation to forfaiting assets held for trading. Notwithstanding this, the Group and Company endeavours to mitigate any price risk by building a diversified forfaiting portfolio with an ultimately different geographical exposure.

As the majority of the Group and Company's financial assets are carried at fair value with changes through the income statement, any changes in market conditions will directly affect the Group and Company's results.

Forfaiting assets held for trading

Region	2020 USD	2019 USD
Americas	**97,406,120**	114,352,441
Asia	**31,686,194**	46,616,035
Central and Eastern Europe	**2,399,405**	4,358,552
Middle East & North Africa	**31,239,317**	23,173,648
Rest of Europe	**186,509,637**	171,256,027
Sub-Saharan Africa	**103,085,874**	100,481,833
	452,326,547	460,238,536

Counterparty type	2020 USD	2019 USD
Banks	**205,722,477**	206,780,673
Corporates	**191,752,560**	212,526,705
Sovereign	**54,851,510**	40,931,158
	452,326,547	460,238,536

Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk – Currency risk

The Group and Company trades in financial assets (represented by forfaiting assets held for trading) that are denominated, to a certain extent, in currencies other than US Dollars. The Group's policy is to hedge currency exposure that has a significant impact on its equity, which is mainly through the managing of its multi-currency loan facility.

The Group and Company's total net exposure in foreign currency exchange rates at the reporting date were as follows

Group			**2020**					**2019**		
	USD	**Euro**	**Sterling**	**Other**	**Total**	**USD**	**Euro**	**Sterling**	**Other**	**Total**
Assets		**USD**	**USD**	**USD**	**USD**		**USD**	**USD**	**USD**	**USD**
- Forfaiting assets held for trading	**294,254,934**	**148,996,727**	**9,074,886**	**-**	**452,326,547**	319,190,719	140,447,391	600,426	-	460,238,536
- Cash and cash equivalents	**101,080**	**39,423**	**149,545**	**56,608**	**346,656**	156,261	43,671	254,440	7,341	461,713
- Trade and other receivables	**898,785**	**41,446**	**108,055**	**17,991**	**1,066,277**	2,412,935	1,346,084	139,474	82,577	3,981,070
Total Assets	**295,254,799**	**149,077,596**	**9,332,486**	**74,599**	**453,739,480**	321,759,915	141,837,146	994,340	89,918	464,681,319
Liabilities										
- Lease Liabilities	**130,864**	**-**	**1,138,327**	**-**	**1,269,191**	46,777	-	1,315,825	56,425	1,419,027
- Bank overdraft	**170,321,292**	**80,359,269**	**8,005,614**	**-**	**258,686,175**	189,094,605	59,765,565	(394,763)	-	248,465,407
- Other borrowings	**14,031,155**	**70,494,854**	**-**	**-**	**84,526,009**	30,211,472	82,423,383	-	-	112,634,855
- Trade and other payables	**4,056,571**	**120,624**	**639,068**	**7,500**	**4,823,763**	5,952,860	112,247	658,692	23,489	6,747,288
Total liabilities	**188,539,882**	**150,974,747**	**9,783,009**	**7,500**	**349,305,138**	225,305,714	142,301,195	1,579,754	79,914	369,266,577

Company			**2020**							
	USD	**Euro**	**Sterling**	**Other**	**Total**					
Assets		**USD**	**USD**	**USD**	**USD**					
- Forfaiting assets held for trading	**294,254,934**	**148,996,727**	**9,074,886**	**-**	**452,326,547**	319,190,719	140,447,391	600,426	-	460,238,536
- Cash and cash equivalents	**81,092**	**39,423**	**149,545**	**-**	**270,060**	127,453	43,671	254,440	-	425,564
- Trade and other receivables	**860,602**	**41,446**	**108,055**	**-**	**1,010,103**	2,375,015	1,346,084	139,474	-	3,860,573
Total Assets	**295,196,628**	**149,077,596**	**9,332,486**	**-**	**453,606,710**	321,693,187	141,837,146	994,340	-	464,524,673
Liabilities										
- Lease Liabilities	**-**	**-**	**1,138,327**	**-**	**1,138,327**	-	-	1,315,825	56,425	1,372,250
- Bank overdraft	**170,321,292**	**80,359,269**	**8,005,614**	**-**	**258,686,175**	189,094,605	59,765,565	(394,763)	-	248,465,407
- Other borrowings	**14,031,155**	**70,494,854**	**-**	**-**	**84,526,009**	30,211,472	82,423,383	-	-	112,634,855
- Trade and other payables	**4,004,842**	**120,624**	**639,068**	**-**	**4,764,534**	5,908,455	112,247	658,692	-	6,679,394
Total liabilities	**188,357,289**	**150,974,747**	**9,783,009**	**-**	**349,115,045**	225,214,532	142,301,195	1,579,754	56,425	369,151,906

Notes to the financial statements (continued)

18. Financial instruments (continued)

Market risk - Currency risk (continued)

A 10 percent strengthening of the US Dollar against the other currencies as at 31 December 2020 would have impacted equity and the profit by USD 207,325 loss (2019: USD 94,496 loss). This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2019. A 10 percent weakening of the US Dollars would give rise to an equal and opposite effect.

Market risk - Interest rate risk

The Group and Company are largely funded through equity and short-term debt from its parent at rates linked to the Official ICE LIBOR fixings (LIBOR). The Group and Company are not exposed to changes in the fair value of its liabilities as a result of changes in interest rates. On the other hand, the forfaiting market very often requires fixed rate pricing which exposes the Group and Company to the interest rate risk. In this respect, the Group and Company sells interest rate future contracts dated on or near the maturity dates of the forfaiting assets held for trading when it commits to acquire fixed rate forfaiting assets held for trading. In the event of a decision to dispose of the forfaiting asset held for trading and the related future contract before its maturity, the Group and Company have the means to buy equivalent interest rate futures with a minimum of cost.

The interest rate futures contracts are measured at fair value through the profit or loss. The net fair value adjustment of the interest rate futures at 31 December 2020 was a profit of USD 6,104 profit (2019: USD 6,104 loss). These amounts are recognised as fair valuation of derivative financial instruments in Trading Income.

In managing the interest rate risk, the Group and Company aims to reduce the impact of short-term fluctuations on the Group and Company's earnings. Notwithstanding the current low LIBOR rate environment, the Group and Company enter into interest rate futures contracts, to hedge against the risk of changes in the fair value of its trading assets resulting from changes in interest rates, for its forfaiting assets with an average life of more than twelve months. The effect of an estimated general increase of one percentage point in interest rate on trading assets with an average life of more than six months as at 31 December 2020 would reduce the Group and Company's profit before tax by approximately USD 1,115,543 (2019: USD 1,188,253).

Liquidity risk

As already stated above under Interest Rate Risk, the Group and Company are funded through equity capital, a multi-currency overdraft facility from the parent with a limit of USD 350 million and external borrowings. In this regard, the Group and Company's liquidity risks are limited in view of the marketability of the forfaiting assets held for trading and the availability of credit lines from the parent.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by LFC's management. Daily reports cover the liquidity position of both the Group and operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken is regularly submitted to management.

LONDON FORFAITING COMPANY LTD

Notes to the financial statements (continued)

18. Financial instruments (continued)

Liquidity risk (continued)

The table below shows the undiscounted cash flows on the Group and Company's financial liabilities, including loan commitments on the basis of their earliest possible contractual maturity.

Group	Total USD	Total Undiscounted Contractual Cashflows USD	6 months or less USD	6-12 Months USD	1-2 Years USD	2-5 Years USD	Over 5 Years USD
2020							
Lease Liabilities	**1,269,191**	**1,343,614**	**210,941**	**212,111**	**404,740**	**515,822**	**-**
Bank overdraft	**258,686,175**	**259,048,945**	**259,048,945**	**-**	**-**	**-**	**-**
Other borrowings	**84,526,009**	**84,712,814**	**84,712,814**	**-**	**-**	**-**	**-**
Amounts due to parent	**598,036**	**598,036**	**598,036**	**-**	**-**	**-**	**-**
Accruals & deferred income	**4,225,727**	**4,243,199**	**3,090,927**	**12,003**	**341,893**	**798,376**	**-**
Total	**349,305,138**	**349,946,608**	**347,661,663**	**224,114**	**746,633**	**1,314,198**	**-**
2019							
Lease Liabilities	1,419,027	1,428,591	71,556	190,553	339,032	827,450	-
Bank overdraft	248,465,407	249,077,207	249,077,207	-	-	-	-
Other borrowings	112,634,855	113,083,484	113,083,484	-	-	-	-
Amounts due to parent	442,914	442,914	442,914	-	-	-	-
Accruals & deferred income	6,304,374	6,304,374	5,028,120	391,987	109,677	729,300	45,290
Total	369,266,577	370,336,570	367,703,281	582,540	448,709	1,556,750	45,290

The amount of USD 258,686,175 on the Bank Overdraft is repayable within 30 days (2019: USD 248,465,407).

Company	Total USD	Total Undiscounted Contractual Cashflows USD	6 months or less USD	6-12 Months USD	1-2 Years USD	2-5 Years USD	Over 5 Years USD
2020							
Lease Liabilities	**1,138,327**	**1,203,586**	**171,941**	**171,941**	**343,882**	**515,822**	**-**
Bank overdraft	**258,686,175**	**259,048,945**	**259,048,945**	**-**	**-**	**-**	**-**
Other borrowings	**84,526,009**	**84,712,814**	**84,712,814**	**-**	**-**	**-**	**-**
Amounts due to parent	**598,036**	**598,036**	**598,036**	**-**	**-**	**-**	**-**
Accruals & deferred income	**4,166,498**	**4,183,971**	**3,027,157**	**16,545**	**341,893**	**798,376**	**-**
Total	**349,115,045**	**349,747,352**	**347,558,893**	**188,486**	**685,775**	**1,314,198**	**-**
2019							
Lease Liabilities	1,372,250	1,381,191	24,156	190,553	339,032	827,450	-
Bank overdraft	248,465,407	249,077,207	249,077,207	-	-	-	-
Other borrowings	112,634,855	113,803,484	113,803,484	-	-	-	-
Amounts due to parent	442,914	442,914	442,914	-	-	-	-
Accruals & deferred income	6,236,480	6,236,483	4,950,848	401,368	109,677	729,300	45,290
Total	369,151,906	370,941,279	368,298,609	591,921	448,709	1,556,750	45,290

The amount of USD 258,686,175 on the Bank Overdraft is repayable within 30 days (2019: USD 248,465,407).

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Notes to the financial statements (continued)

18. Financial instruments (continued)

Effective interest rates and repricing analysis – Group

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they mature, or if earlier are repriced.

	2020							2019						
Forfaiting assets held for trading	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
		USD	USD	USD	USD	USD	USD		USD	USD	USD	USD	USD	USD
-USD fixed rate	5.17	106,340,895	61,842,550	40,420,332	3,323,435	754,578	-	6.89	92,960,413	64,860,965	16,762,953	9,503,560	1,832,935	-
-Euro fixed rate	6.11	61,542,861	6,814,618	21,208,300	29,388,684	4,131,259	-	5.59	80,280,035	10,901,215	23,228,065	40,224,903	5,925,852	-
-GBP fixed rate	3.80	2,241,346	-	60,610	89,585	2,091,151	-	7.40	600,426	92,539	190,809	180,200	136,878	-
-USD floating rate	5.72	187,914,039	64,718,774	59,063,731	39,340,489	24,791,045	-	7.23	226,230,306	57,844,584	44,507,776	44,178,034	70,362,788	9,337,124
-Euro floating rate	4.61	87,453,867	32,320,008	16,242,096	12,232,776	23,260,123	3,398,864	4.94	60,167,356	23,173,246	11,359,260	11,074,066	11,098,356	3,462,428
-GBP floating rate	5.08	6,833,539	-	-	6,833,539	-	-	-	-	-	-	-	-	-
		452,326,547	165,695,950	136,995,069	91,208,508	55,028,156	3,398,864		460,238,536	156,872,549	96,048,863	105,160,763	89,356,809	12,799,552
Cash and cash equivalents														
-Cash at Bank	-	327,127	327,127	-	-	-	-	-	444,357	444,357	-	-	-	-
-Cash in hand	-	19,529	19,529	-	-	-	-	-	17,356	17,356	-	-	-	-
		346,656	346,656	-	-	-	-		461,713	461,713	-	-	-	-
Lease Liabilities														
-USD	2.11	(130,864)	(37,390)	(37,390)	(56,084)	-	-	4.64	(103,203)	(59,798)	(13,021)	(26,043)	(4,341)	-
-GBP	3.37	(1,138,327)	(162,618)	(162,618)	(325,236)	(487,855)	-	3.37	(1,315,824)	-	(131,582)	(263,165)	(921,077)	-
		(1,269,191)	(200,008)	(200,008)	(381,320)	(487,855)	-		(1,419,027)	(59,798)	(144,603)	(289,208)	(925,418)	-
Bank overdraft														
-USD	1.76	(170,321,292)	(170,321,292)	-	-	-	-	3.38	(189,094,605)	(189,094,605)	-	-	-	-
-EUR	1.51	(80,359,269)	(80,359,269)	-	-	-	-	1.52	(59,765,565)	(59,765,565)	-	-	-	-
-GBP	1.79	(8,005,614)	(8,005,614)	-	-	-	-	2.47	394,763	394,763	-	-	-	-
		(258,686,175)	(258,686,175)	-	-	-	-		(248,465,407)	(248,465,407)	-	-	-	-
Other Borrowings	1.53	(84,526,009)	(84,526,009)	-	-	-	-	2.03	(112,634,855)	(112,634,855)	-	-	-	-
Total		108,191,828	(177,369,586)	136,795,061	90,827,188	54,540,301	3,398,864		98,180,960	(203,825,798)	95,904,260	104,871,555	88,431,391	12,799,552

Notes to the financial statements (continued)

18. Financial instruments (continued)

Effective interest rates and repricing analysis – Company

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they mature, or if earlier are repriced.

	2020							2019						
	Effective interest rate	Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years	Effective interest rate	Total	6months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Forfaiting assets held for trading		USD	USD	USD	USD	USD			USD	USD	USD	USD	USD	
-USD fixed rate	5.17	106,340,895	61,842,550	40,420,332	3,323,435	754,578	-	6.89	92,960,413	64,860,965	16,762,953	9,503,560	1,832,935	-
-Euro fixed rate	6.11	61,542,861	6,814,618	21,208,300	29,388,684	4,131,259	-	5.59	80,280,035	10,901,215	23,228,065	40,224,903	5,925,852	-
-GBP fixed rate	3.80	2,241,346	-	60,610	89,585	2,091,151	-	7.40	600,426	92,539	190,809	180,200	136,878	-
-USD floating rate	5.72	187,914,039	64,718,774	59,063,731	39,340,489	24,791,045	-	7.23	226,230,306	57,844,584	44,507,776	44,178,034	70,362,788	9,337,124
-Euro floating rate	4.61	87,453,867	32,320,008	16,242,096	12,232,776	23,260,123	3,398,864	4.94	60,167,356	23,173,246	11,359,260	11,074,066	11,098,356	3,462,428
-GBP floating rate	5.08	6,833,539	-	-	6,833,539	-	-	-	-	-	-	-	-	-
		452,326,547	165,695,950	136,995,069	91,208,508	55,028,156	3,398,864		460,238,536	156,872,549	96,048,863	105,160,763	89,356,809	12,799,552
Cash and cash equivalents														
-Cash at Bank	-	250,535	250,535	-	-	-	-	-	408,213	408,213	-	-	-	-
-Cash in hand	-	19,525	19,525	-	-	-	-	-	17,351	17,351	-	-	-	-
		270,060	270,060	-	-	-	-		425,564	425,564	-	-	-	-
Lease Liabilities														
-USD	-	-	-	-	-	-	-	4.64	(56,425)	(13,021)	(13,021)	(26,043)	(4,340)	-
-GBP	3.37	(1,138,327)	(162,618)	(162,618)	(325,236)	(487,855)	-	3.37	(1,315,825)	-	(131,582)	(263,165)	(921,078)	-
		(1,138,327)	(162,618)	(162,618)	(325,236)	(487,855)	-		(1,372,250)	(13,021)	(144,603)	(289,208)	(925,418)	-
Bank overdraft														
-USD	1.76	(170,321,292)	(170,321,292)	-	-	-	-	3.38	(189,094,605)	(189,094,605)	-	-	-	-
-EUR	1.51	(80,359,269)	(80,359,269)	-	-	-	-	1.52	(59,765,565)	(59,765,565)	-	-	-	-
-GBP	1.79	(8,005,614)	(8,005,614)	-	-	-	-	2.47	394,763	394,763	-	-	-	-
		(258,686,175)	(258,686,175)	-	-	-	-		(248,465,407)	(248,465,407)	-	-	-	-
Other borrowings	1.53	(84,526,009)	(84,526,009)	-	-	-	-	2.03	(112,634,855)	(112,634,855)	-	-	-	-
Total		108,246,096	(177,408,792)	136,832,451	90,883,272	54,540,301	3,398,864		98,191,588	(203,815,170)	95,904,260	104,871,555	88,431,391	12,799,552

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Notes to the financial statements (continued)

18. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry, country and region in which customers operate. Details of credit risk concentration of the forfaiting portfolio are included in page 39.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. Limits are established for each customer and reviewed quarterly. Any exposures exceeding those limits require approval from the risk management committee.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trade history with the Group and existence of previous financial difficulties.

The Group is closely monitoring the economic environment in the emerging market and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2020, countries where payment delays were experienced due to foreign exchange shortages, limits were reduced.

Whilst the Company's maximum exposure to credit risk is the carrying value of the fair value of its assets and off-balance sheet instruments, the exposure is mitigated through offsetting collateral, credit guarantees and other actions taken to mitigate the Company's exposure.

Group and Company

The aging of Forfaiting assets held for trading at the balance sheet date was:

	Gross Value 2020 USD	Fair Value 2020 USD	Gross Value 2019 USD	Fair Value 2019 USD
Not past due	**457,661,657**	**448,089,794**	463,610,527	454,719,362
Past due [0-30 days]	**-**	**-**	737,448	442,469
Past due [31-120 days]	**-**	**-**	45,953	38,716
More than 120 days	**5,840,957**	**4,236,753**	7,194,991	5,037,989
Total	**463,502,614**	**452,326,547**	471,588,919	460,238,536

The movement in the fair valuation in respect of forfaiting assets held for trading during the year was as follows:

	Group		Company	
	2020 USD	**2019 USD**	**2020 USD**	**2019 USD**
Realised upward fair valuation	**5,839,964**	6,544,259	**5,839,964**	6,544,259
Realised downward fair valuation	**(1,215,793)**	(1,053,027)	**(1,215,793)**	(1,053,027)
Unrealised upward fair valuation	**3,197,122**	2,871,747	**3,197,122**	2,871,747
Unrealised downward fair valuation	**(4,589,036)**	(2,713,464)	**(4,589,036)**	(2,713,464)
Amounts reversed from written off assets	**-**	3,000,000	**-**	3,000,000
	3,232,257	8,649,515	**3,232,257**	8,649,515

There are no historic forfaiting assets, not carried at fair value which are fully provided for.

Notes to the financial statements (continued)

18. Financial instruments (continued)

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. Operational risks include Compliance (KYC) risks, reputational risk amongst others.

Reputational Risks

Reputational risk is the risk that negative publicity on LFC's business practices, whether true or not, will cause a decline in the customer base, involve the company in costly litigation, or lead to revenue reductions.
Reputational risk arises from operational failures, failure to comply with relevant laws and regulations - including but not limited to Anti–Money Laundering ("AML") and Counter Funding of Terrorism ("CFT") regulations - or from other sources, including acts or omissions of misconduct on the part of its directors and/or officers and/or representatives, even in matters which are unrelated to their mandate or position within LFC. The impact for non-compliance with the applicable regulations can be substantial and can include formal enforcement actions, monetary penalties, informal enforcement actions, and enhanced supervisory monitoring.
To this purpose, detailed AML, CFT and fraud documentation policies and procedures, a robust Business Risk Assessment and Customer Acceptance Policy as well as a strong oversight by LFC's Board and management have been devised. These are constantly maintained to reflect the latest changes in legislations and related guidance. These were updated to comply with the fourth AML directive in 2017, further updates will be undertaken to comply with changes in legislation as they occur. LFC uses qualitative research tools to assess the adequacy of prospective clients and transactions as well as rating of corporate and business relationships. Through such rigid procedures, LFC would be able to identify transactions and clients which pose a higher risk compared to others. These include Politically Exposed Persons and clients and transactions deriving from non-compliant jurisdictions. In addition, reputational risk is also indirectly mitigated through the setting of country limits. Some of the criteria used in setting up a transaction limit for particular countries are closely related to reputational risk, including issues relating to the political environment such as the fairness and frequency of election processes and access to power and effectiveness in reforming political systems and implementing economic agendas.
LFC has installed adequate internal monitoring systems to discover any such irregularities on the part of persons who may cause such risk, thus ensuring that persons not maintaining the highest standards of integrity in their activities, even if such activities are unrelated to their position, are not allowed to retain their positions of responsibility within the company.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, general reserve and retained earnings. The Board of Directors monitors the return on capital, which the Group defines as profit after tax divided by capital, represented by the shareholder's equity.
The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Group's approach to capital management during the year.

Notes to the financial statements (continued)

19. Lease Liabilities

Leases as lessee

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
As at 1 January	**1,419,027**	-	**1,372,250**	-
Additions	**155,273**	1,614,000	**-**	1,476,800
Interest expense	**45,089**	24,740	**42,876**	20,366
Payments	**(350,198)**	(219,713)	**(276,799)**	(124,916)
Balance at 31 December	**1,269,191**	1,419,027	**1,138,327**	1,372,250

As at 31 December 2020, the Group had 6 property leases (2019: 6 property leases). Of these 6 leases, 2 of them relate to ROU leases (2019: 3 ROU leases) and 4 of the leases (2019: 3) term is less than twelve months and therefore considered short-term leases. The expenses in FY20 relating to these short-term leases is USD 100,376 (2019: USD 92,740).

Non-cancellable leases are payable as follows:

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Less than one year	**379,478**	204,401	**304,611**	157,624
Between one and five years	**889,713**	1,214,626	**833,716**	1,214,626
More than five year	**-**	-	**-**	-
	1,269,191	1,419,027	**1,138,327**	1,372,250

The Group does not have any leases as lessor.

20. Commitments and contingencies

As part of its normal trade finance activity, the Group has entered into various confirmed credits and commitments, both of which are contingent upon the fulfilment of documentary conditions on the part of its customers. As at 31 December 2020 these totalled USD 16,810,427 (2019: USD 43,764,114) for both the Group and the Company as shown in the table below:

	Group	
	2020	2019
	USD	USD
Forfaiting assets held for trading commitments	**15,605,454**	18,774,420
Letter of Credit confirmations	**792,230**	416,331
Loan credit default swaps	**-**	21,233,431
Conditional guarantees	**412,743**	462,410
Unfunded credit facilities	**-**	2,877,522
	16,810,427	43,764,114

Financial Guarantees

Financial guarantees are recognised under IFRS 9 and are held at fair value in the balance sheet. The nature of these guarantees means that fair value at inception is usually equal to the premium received. If there is no up-front payment then the fair value of the financial guarantees is recognised at nil on the balance sheet.

Notes to the financial statements (continued)

21. Related parties

Identity of related parties and related party balances

The Company has a related party relationship with its subsidiaries, parent and other group entities. The results of these transactions and balances with related parties are disclosed in the various notes to the financial statements together with the relative terms and conditions where applicable.

During the year, the Company received USD 55,623 (2019: 133,372) in fee and commissions received and paid USD 48,196 (2019: USD 66,339) in fees and commissions paid with FIMBank plc.

The Company has a relationship with Tunis International Bank S.A, Tunisia, as it is a subsidiary of the Burgan Bank SAK, Kuwait, which has a significant shareholding in the parent company, FIMBank plc. As at 31 December 2020, the Group and Company has two money market loans with Tunis International Bank S.A for USD 4.02m and USD 9.83m maturing on 14 January 2021 and 3 March 2021 respectively.

The Company has a 30-day rolling bank overdraft facility of with its parent, FIMBank plc. As at 31 December 2020, the balance is USD 258,686,175 (2019: USD 248,465,407). Furthermore, there are amounts due to/by parent, which are set out in notes 10, 12 and 16 of these financial statements.

Other than consideration paid for the provision of services under contracts of employment or in their capacity as directors of the Company (disclosed in Note 5) the Company did not have other related party transactions with key management.

For 2020, the total payments received by the key management personnel from the Company and the Group were:

(i) short-term employee benefits - USD 3,050,793
(ii) post-employment benefits - USD 420,867
(iii) other long-term benefits - nil
(iv) termination benefits - nil

22. Parent company and parent undertaking of larger group

FIMBank plc by which the Company is directly and wholly owned has it registered office situated at:

Mercury Tower
The Exchange Financial & Business Centre
Elia Zammit Street
St. Julian's STJ 3155
Malta

FIMBank plc prepares the financial statements of the Group of which London Forfaiting Company Limited and its subsidiaries form part. These financial statements are filed and available for public inspection at the Registrar of Companies in Malta.

Malta Business Registry,
AM Business Centre,
Triq il-Labour,
Zejtun ZTN 2401,
Malta

The ultimate parent company of FIMBank p.l.c. is Kuwait Projects Company (Holding) K.S.C.P. ("KIPCO") a company registered in Kuwait. The registered address is KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, Kuwait City.

Income statement - 5 year summary
(unaudited)

Group	2020	2019	2018	2017	2016
	USD	USD	USD	USD	USD
Trading income	**23,713,685**	29,663,165	29,961,636	21,229,937	17,436,756
Administrative expenses	**(7,803,561)**	(9,054,684)	(8,628,630)	(6,399,039)	(5,615,095)
Other operating income	**58,333**	-	746,593	-	-
Operating profit before financing costs	**15,968,457**	20,608,481	22,079,599	14,830,898	11,821,661
Net Financing expense	**(6,957,829)**	(8,096,278)	(6,828,271)	(6,348,030)	(6,028,056)
Profit before tax	**9,010,628**	12,512,203	15,251,328	8,482,868	5,793,605
Income tax	**(1,637,070)**	(1,766,926)	(1,405,556)	(149,669)	687,726
Profit for the year attributable to equity holders of the parent	**7,373,558**	10,745,277	13,845,772	8,333,199	6,481,331

Statements of financial position - 5 year summary

(unaudited)

Group	**2020**	**2019**	**2018**	**2017**	**2016**
	USD	**USD**	**USD**	**USD**	**USD**
Assets					
Plant and equipment	**1,507,280**	1,773,322	112,474	99,450	141,724
Deferred tax assets	**4,169,406**	5,549,406	6,689,406	7,259,406	7,259,406
Non-current assets	**5,676,686**	7,322,728	6,801,880	7,358,856	7,401,130
Forfaiting assets - held for trading	**452,326,547**	460,238,536	347,284,967	252,509,144	379,397,964
Cash and cash equivalents	**346,656**	461,713	228,068	6,367,849	184,625
Trade and other receivables	**1,066,277**	3,981,070	2,613,725	4,400,074	1,345,979
Current assets	**453,739,480**	464,681,319	350,126,760	263,277,067	380,928,568
Total assets	**459,416,166**	472,004,047	356,928,640	270,635,923	388,329,698
Equity					
Issued capital	**97,000,000**	90,000,000	50,000,000	40,000,000	40,000,000
Retained earnings	**13,111,028**	12,737,470	41,992,193	38,146,421	34,261,623
Total equity attributable to owners of the Company	**110,111,028**	102,737,470	91,992,193	78,146,421	74,261,623
Liabilities					
Lease Liability	**1,269,191**	1,419,027	-	-	-
Non-current liabilities	**1,269,191**	1,419,027	-	-	-
Bank overdraft	**258,686,175**	248,465,407	130,287,629	48,875,237	217,281,201
Other Borrowings	**84,526,009**	112,634,855	113,202,873	133,650,296	86,725,869
Trade and other payables	**4,823,763**	6,747,288	21,445,945	9,963,969	10,061,005
Current liabilities	**348,035,947**	367,847,550	264,936,447	192,489,502	314,068,075
Total liabilities	**349,305,138**	369,266,577	264,936,447	192,489,502	314,068,075
Total equity and liabilities	**459,416,166**	472,004,047	356,928,640	270,635,923	388,329,698

Directors and senior management

Board of Directors	John C Grech (Chairman) Majed Essa Ahmed Al-Ajeel Mohamed Fekih Ahmed Hussain Lalani
Chief Executive Officer	Simon Lay
Head of Finance / Company Secretary	William Ramzan
Head of Trading	Tony Knight
Head of UK Marketing	Ian Lucas
Head of Compliance & MLRO	Paul Bohannon
Head of Operations	Lorna Pillow
Head of Credit	Hunter Thompson
London Forfaiting Americas. Inc. (LFA)	Gregory Bernardi, President of LFA
London Forfaiting do Brasil Ltda. (LFB)	Alexandre Ozzetti, Director of LFB
Representative, Germany	Wenli Wang
Representative, France	Eric Baillavoine
Representative, Russian Federation	Vasily Kirov
Senior Managers	Jeremy Burke Yonca Sarp Colin Stone Sandro Valladares
Executive Personal Assistant	Mary Louise Long

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